

**MINUTES OF A MEETING OF THE  
ARIZONA STATE RETIREMENT SYSTEM  
OPERATIONS COMMITTEE**

**HELD ON  
Thursday, July 30, 2009  
10:30 a.m., Arizona Time**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Steven Zeman, Chair, called the meeting to order at 10:30 a.m.

**1. Call to Order; Roll Call; Opening Remarks**

Present:       Mr. Steven Zeman, Chair  
                  Mr. David Byers, Vice-Chair  
                  Dr. Keith Meredith (Via Teleconference)  
                  Mr. Michael Townsend (Via Teleconference)

A quorum of the Committee was present for the purpose of conducting business.

**2. Approval of the Regular and Executive Session Minutes of the June 25, 2009 OC Meeting**

**Motion:**       Mr. David Byers moved the regular session minutes of the June 25, 2009, OC meeting be adopted. Mr. Michael Townsend seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

**Motion:**       Mr. David Byers moved the executive session minutes of the June 25, 2009, OC meeting be adopted. Mr. Michael Townsend seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

**3. Presentation, Discussion and Appropriate Action Regarding the ASRS Long Term Disability and Dental Plans Update**

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Mr. Patrick M. Klein, Assistant Director, External Affairs, who gave the Committee a brief update on the annual renewals of the Long Term Disability for active members and Dental Plans for ASRS retirees. He indicated there would be no premium or administrative expense increases for their respective current renewal years.

**4. Presentation, Discussion and Appropriate Action Regarding the ASRS Risk Assessment and Proposed Risk Control Strategies for Fiscal Years (FYs) 2010 and 2011**

Mr. Guarino addressed the Committee regarding a risk assessment performed by the ASRS and the strategies that will be employed to reduce that risk.

The Committee was presented with the assessment that rated each area of risk based on the risk tolerance, adequacy of controls, likelihood of risk and the impact of each risk. He gave an overview of the risk areas and then solicited feedback from the Committee.

It was noted that once the risk assessment was adopted, the ASRS Internal Audit Division would begin drafting the agency's audit plan for the Committee to review at a future date. This audit plan would ensure flexibility to react to contingencies and unforeseen events.

**Motion:** Mr. David Byers moved to accept the risk assessments and strategies and forward them to the full ASRS Board for consideration. Mr. Michael Townsend seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

## **5. Review of Recently Conducted Audits**

- **Audit Follow-Up – Final Audit and Survivor Benefits**
- **Contribution Accounting**
- **City of Scottsdale**
- **Water Resources**

Mr. Guarino introduced Mr. Bernard Glick, the ASRS Chief Internal Auditor, who updated the Committee on recently conducted audits.

The first audit was a follow up regarding Final Audit and Survivor Benefits. Mr. Glick reminded the Committee of the four initial findings of the audit and provided the results of the follow up audit. He indicated the issues had been resolved.

The second audit dealt with Contribution Accounting. Mr. Glick indicated there were two findings from this audit. The first finding indicated there would be greater efficiency and effectiveness of monitoring and reconciliation of contribution account processes if there were better reporting in specific areas. The second finding stated existing policies and procedures need to be updated and desk procedures need to be developed to cover various functions.

The third audit was regarding the City of Scottsdale. Mr. Glick said the City of Scottsdale did not remit contributions for 53 employees who were eligible for membership in the ASRS, did not request credit for three ineligible members, did not ensure all retirees returning to work complied with statutory requirements, and that the City verified that it did not include any employees who did not work in participating political subdivisions in its payroll records or contributions remitted to the ASRS that would have resulted in ineligible employees participating in the ASRS. He said the City of Scottsdale owed the ASRS \$70,548.

The final audit was on the Arizona Department of Water Resources. Mr. Glick said Water Resources did not remit contributions from five ASRS eligible employees, did not request a credit for one ineligible member, and verified it did not include any employees who did not work for a participating political subdivision in its payroll records or contributions remitted to the ASRS that would have resulted in ineligible employees participating in the ASRS. He stated Water Resources owed the ASRS \$5,282.

## 6. Presentation, Discussion and Appropriate Action Regarding the Audit Quarterly Update

Mr. Glick presented a spreadsheet containing the summary of internal audits through the 12-month period ending June 2009. The spreadsheet listed the audits, the hours budgeted, and estimates as to how many hours were used to perform the audits. Mr. Glick said all audits had been completed as scheduled with the exception of an audit on Payroll Deduction Authorizations which he said would be completed in August 2009.

## 7. Request for Future Agenda Items

There were no requests for future agenda items.

## 8. Call to the Public

No members of the public addressed the Committee.

## 9. Adjournment of the OC

Mr. Steven Zeman adjourned the meeting at 11:37 a.m.

Respectfully Submitted by,

Zachary Kucera  
Committee Secretary

Date

Anthony Guarino Date  
Deputy Director and Chief Operations Officer